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No. 99-

IN THE

Supreme Court of the United States

COOK GROUP INCORPORATED, WILSON-COOK MEDICAL INC., COOK INCORPORATED, VANCE PRODUCTS INCORPORATED and SABIN CORPORATION,

Petitioners,

v.

JON S. WILSON and WILTEK MEDICAL, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

The "doctrine of equivalents" is an intellectual property doctrine, holding that infringement of a protected idea occurs when one modifies an element of the protected idea merely by substituting an equivalent element inspired by the protected original. The court below refused to apply the doctrine of equivalents in analyzing whether the respondents, who had previously been held to be willful and malicious infringers of the petitioners' trade secret rights and were enjoined from further infringement, violated the injunction when they substituted equivalent elements of the trade secrets and continued to use them. In considering petitioners' motion for contempt of the injunction, did the court below err in treating trade secrets differently from other intellectual property and in refusing to apply the doctrine of equivalents?

STATEMENT PURSUANT TO RULE 29.6

Petitioner Cook Group, Incorporated is the parent corporation of the other petitioners herein. Cook Group, Incorporated has no parent corporation and there is no publicly held company owning ten percent or more of any of the petitioners' stock.

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Appendix A — Opinion Of The United States Court Of Appeals For The Fourth Circuit Dated And Decided October 27, 1999 ..... 1a

Appendix B — Order Of The United States District Court For The Middle District Of North Carolina Dated And Filed December 2, 1998 ..... 8a

Petitioners, the Cook Companies, respectfully request that a writ of certiorari be issued to review the judgment and opinion of the United States Court of Appeals for the Fourth Circuit in this case entered on October 27, 1999.

OPINIONS BELOW

This is an intellectual property case, involving trade secrets and proprietary processes. Accordingly, certain of the proceedings and opinions below were sealed and unpublished.[1]

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1. In order to protect the petitioners' secret equipment and processes from unintended public disclosure, this Petition describes the trade secrets at issue ("Trade Secrets 3 and 14") in general terms, and the petitioners have filed separately, in a sealed appendix whose pages are numbered by the designation "SA," the following confidential materials:

(1) Excerpts from the Bankruptcy Court's May 22, 1995 sealed Injunction and Memorandum Opinion, finding willful and malicious infringement of Trade Secrets 3 and 14 (SA1 to SA45);

(2) The Bankruptcy Court's December 8, 1997 sealed Second Memorandum Opinion, refusing to find violation of the Injunction as to Trade Secrets 3 and 14 after a surprise inspection of the respondents' plant in 1997 (SA46 to SA 84); and

(3) A nine-minute VHS videotape (the "Videotape"), showing both the petitioners' trade secret processes in operation at their plant, and the respondents' equivalent operations at their plant, shown side-by-side on a split screen (petitioners' on the right, respondents' on the left). The Videotape includes

(Cont'd)

The United States Bankruptcy Court for the Middle District of North Carolina entered its Memorandum Opinion, Findings of Fact and Conclusions of Law on May 22, 1995, finding that the respondents willfully and maliciously infringed certain of the petitioners' trade secrets, and entered a permanent Injunction and Judgment (the "Injunction") on the same date. These documents were sealed by the court, and pertinent excerpts have been tendered to this Court for filing under seal.

The Bankruptcy Court entered a Second Memorandum Opinion and judgment on December 8, 1997, refusing to hold that the respondents violated the Injunction. These documents, also sealed by the court, have also been tendered to this Court for filing under seal.

The United States District Court for the Middle District of North Carolina affirmed the Second Memorandum Opinion and judgment by opinion dated December 2, 1998, published as *In re Jon S. Wilson*, 233 B.R. 915 (M.D.N.C. 1998). A copy of that decision is annexed as Appendix B.

The United States Court of Appeals for the Fourth Circuit affirmed, in an unpublished decision available at 1999 WL 976491 (4th Cir. Oct. 27, 1999), a copy of which is annexed as Appendix A.

(Cont'd)

> footage both from before the 1994 trial and at the 1997 surprise inspection, as well as the catalog pages of both companies offering identical products for sale. The Videotape, based entirely on evidence of record, was accepted by each of the reviewing courts below.

STATEMENT OF JURISDICTION

The judgment of the United States Court of Appeals for the Fourth Circuit was entered on October 27, 1999. This petition was filed within 90 days of that date.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION AND RULE INVOLVED

Rule 65(d) Fed. R. Civ. P., which provides:

> (d) Form and Scope of Injunction or Restraining Order. Every order granting an injunction and every restraining order shall set forth the reasons for its issuance; shall be specific in terms; [and] shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained. . . .

18 U.S.C. § 401 which provides:

> A court of the United States shall have power to punish by fine or imprisonment, at its discretion, such contempt of its authority, and none other, as —
>
> * * *
>
> (3) Disobedience or resistance to its lawful writ, process, order, rule, decree, or command.

STATEMENT OF THE CASE

This case involves the willful and malicious misappropriation of intellectual property. The petitioners, Cook Group, Inc., Wilson-Cook Medical, Inc. ("Wilson-Cook"), Cook Inc., Vance Products, Inc., and Sabin Corp. (collectively, "Cook" or the "Cook Companies"), manufacture and sell medical devices worldwide. They employ a variety of trade secret processes, developed at great expense of time and money during the companies' 37-year history, and scrupulously guarded by them from disclosure to outsiders. Their products include catheters and catheter wireguides, made for use in the human body, that must be made in compliance with exacting FDA regulations. Among Cook's trade secrets recognized in this case are methods for rounding the tips of wireguides and other wire products to make them safe for use in the human body (Trade Secret 3) and for forming permanent curves in polymer catheters (Trade Secret 14).

The respondents are Jon S. Wilson ("Wilson") and his company, Wiltek Medical, Inc. ("Wiltek") (collectively, the "Defendants"). Wilson is a former Cook employee who received all his training and experience in the medical device field from Cook. He was hired as a salesman in 1978, when he was a high school graduate with no medical device manufacturing experience or qualification, by Cook Canada, a company owned by Cook and run by Wilson's father. In 1981, at his father's suggestion, he was named president of a new Cook company, Wilson-Cook, which was formed to expand Cook's existing manufacture of specialty gastroenterological medical devices. In assuming this position, Wilson expressly agreed to keep secret Cook's confidential processes and equipment. In 1989, Wilson was asked to resign, following certain repeated financial abuses and failures to comply with critical FDA regulations.

Immediately after his resignation, Wilson formed a new venture, Wiltek, to compete directly with Wilson-Cook. Because Wilson copied Wilson-Cook's key product line and its confidential manufacturing processes, Cook sued for misappropriation of trade secrets. There is no question that Cook has genuine trade secrets, and that the Defendants misappropriated them. After a two-month trial (held before the Bankruptcy Court because Wilson filed a petition for protection under Chapter 11 of the Bankruptcy Code) in May of 1995, the Bankruptcy Court held that Wilson and Wiltek had willfully and maliciously misappropriated a number of Cook's trade secrets, including Trade Secrets 3 and 14, and issued the permanent Injunction, prohibiting further use, licensing, marketing, or disclosure of the trade secrets.[2]

The Bankruptcy Court's disposition allowed Cook to make one surprise inspection of Wiltek's facilities to monitor the Defendants' compliance with the Injunction. At the inspection in October 1997, Cook found that the Defendants continued to manufacture wire products with rounded tips and catheters with formed curves, using Trade Secrets 3 and 14 with minor modifications: for forming the rounded tips of the wires, they used the identical Cook Trade Secret 3 process, but shortened the duration of the application of the process by a fraction of a second, so that the tip of the wire was rounded but not ball-tipped;[3] and for forming curves in

2. The Bankruptcy Court's judgment of willful and malicious misappropriation was affirmed on appeal. *See In re Jon S. Wilson*, 165 F.3d 913, 1998 WL 671658 (4th Cir. N.C.) (unpublished).

3. Catheter wireguides can have approximately the thickness of a human hair and must pass through delicate body passageways like blood vessels and organs. Symmetrically rounding the tip of the wire, as Cook's secret process accomplishes, to create the smoothest possible interface with the body passageway, is of critical importance. (*See* Videotape.) Cook uses this trade secret process some 3,000,000 times each year.

catheters they substituted for the Trade Secret 14 secret medium a medium with similar physical properties, expressly chosen to mimic Cook's secret medium in every critical respect.[4] The Defendants were able to replicate these manufacturing processes, identical to Cook's processes except for the insubstantial substitutions, only because of their knowledge of Cook's processes.

Cook filed a motion seeking to hold the Defendants in contempt of the Injunction (the "Contempt Motion"). The Bankruptcy Court denied the Contempt Motion as to Trade Secrets 3 and 14, and the district court affirmed. SA 46-58, 75-82; App. 8a-10a. The Fourth Circuit affirmed. App. 1a-7a. The Fourth Circuit refused to apply the "doctrine of equivalents" — an intellectual property doctrine holding that a minor modification or substitution in one's use of a protected idea does not defeat a claim of infringement, because in these circumstances the use is "equivalent," though not "identical." The Fourth Circuit explained its refusal to apply the doctrine as follows:

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4. The Bankruptcy Court viewed the Defendants' choice of a substitute medium as an "independent development." SA80. But, as they admitted below, Defendants' choice of a substitute medium was "obvious" only to someone who already knew the unique and publicly unknown characteristics and advantages of Cook's secret medium. The advantages of the Cook process and secret heating medium over publicly known methods for forming curves in polymer catheters include: (1) uniformity of the process applied to all angles of the catheter; (2) consistency in the formation of the catheters, achieved by formation at a uniform temperature; (3) the ability to manufacture multiple curved catheters at one time; (4) lack of danger to the workers; (5) excellent biocompatibility; and (6) quickness, simplicity, and inexpensiveness. (*See* SA77-78; Videotape.)

> The doctrine of equivalents is primarily a patent law doctrine and its application in the trade secret context has been quite limited. Almost all of the cases Cook relies on are appeals to determine whether or not something was a trade secret [but here] the bankruptcy court had already determined the scope of the trade secrets. . . . Cook cites to only one circuit court case where the doctrine of equivalents was applied in a trade secret contempt context. *See Motorola, Inc. v. Computer Displays Int'l, Inc.*, 739 F.2d 1149 (7th Cir. 1984). But even *Motorola* can be distinguished because it involved a consent decree and not an injunction. Nothing in this circuit would suggest that the doctrine of equivalents is invariably applied in the trade secret contempt context, much less that it would somehow trump the governing standards of review.

(App. 4a-5a n.*)

REASONS FOR GRANTING THE WRIT

THE FOURTH CIRCUIT'S OPINION CONFLICTS WITH DECISIONS OF THE THIRD, SEVENTH, TENTH, ELEVENTH AND FEDERAL CIRCUITS, WHICH RECOGNIZE THE IMPORTANCE OF APPLYING THE DOCTRINE OF EQUIVALENTS TO REMEDY CONTEMPT OF FEDERAL COURT INJUNCTIONS PROTECTING VALUABLE INTELLECTUAL PROPERTY RIGHTS, INCLUDING TRADE SECRETS AND PATENTS.

This Court mapped out the vital importance of the doctrine of equivalents in protecting intellectual property rights in *Graver Tank & Mfg. Co. v. Lini Air Products Co.*, 339 U.S. 605 (1950). The Court recognized that to permit a close but non-literal imitation of a patented invention would be to convert the protection of the patent grant into a "hollow and useless thing" and would encourage the unscrupulous copyist to make "unimportant and insubstantial changes and substitutions" which, while adding nothing of substance, would be enough to take the copied matter outside both the claim and the protection of the law. *Id.* Justice Jackson wrote for the Court that one who seeks to pirate an invention, a book or a play may be expected to introduce minor variations to conceal and shelter the piracy since outright duplication is a "dull and very rare type of infringement." *Id.*

The key issue in *Graver Tank* was whether the substitution of a nonalkaline earth metal (manganese) for the alkaline earth metal (magnesium) claimed in the patent was, under the circumstances of the case, a sufficiently insubstantial change which justified application of the doctrine of equivalents. Just as the substitution in *Graver*

Tank was found sufficient to invoke the doctrine there, so too it should have been applied to the insubstantial substitutions or deviations in the present case, but the Fourth Circuit refused erroneously even to apply the doctrine.

To prohibit form prevailing over substance, the doctrine of equivalents has evolved and regularly been observed, by this Court and other federal courts, for the last 150 years in the area of intellectual property rights, to prevent an infringer from stealing the benefits of someone else's creation. *See Winans v. Denmead*, 15 How. 330 (1853); *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 946 (Fed. Cir. 1987), *cert. denied*, 485 U.S. 961 (Bennett dissenting) (in 130 years of jurisprudence, in the interests of justice, judicial interpretations of claims beyond their bounds have been made under the doctrine of equivalents), citing 4 D. Chisum Patents § 18.04[1], at 18-32.3 ("While contrary to the general principle that claims measure the scope of the patent monopoly, the doctrine [of equivalents] is retained in order to prevent persons from practicing fraud on patents."). Thus, a patentee may proceed against the producer of a device that "performs substantially the same function in substantially the same way to obtain the same result," under the theory that "if two devices do the same work in substantially the same way and accomplish substantially the same result, they are the same, even though they differ in name, form or shape." *Graver Tank*, 339 U.S. at 608 (citations omitted). Most recently, in *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 40 (1997), Justice Thomas reaffirmed this Court's "adher[ence] to the doctrine of equivalents" and its benefits in "the prevention of copying and piracy." *Id.*

Although the doctrine of equivalents was initially born as a patent law doctrine, as early as 1927, Judge Augustus N. Hand found the doctrine eminently suitable for application in the field of trade secrets:

> [T]he novel question [is] whether there can be anything applicable to a secret process like the doctrine of equivalents familiar to the patent law. There seems to be no authority upon this subject, but I cannot think that the fiduciary obligation of one bound not to disclose a secret process, or not to use such a process that has been improperly disclosed, is not violated, where the process employed is used to produce an identical result in ways directly suggested by the disclosure, though slightly differing from it in detail.
>
> The question is one of the real scope of the secret process and the closeness of approximation of the variation. . . .

Tower Mfg. Co. v. Monsanto Chem. Works, 20 F.2d 386, 387 (S.D.N.Y. 1927).

In contrast to infringement via the doctrine of equivalents under the patent law, which does not necessarily require proof of a wrongful intent, *Warner-Jenkinson*, 520 U.S. at 35, trade secret misappropriations invariably involve a breach of a trust.

As recognized by Justice Oliver Wendell Holmes in *E.I. DuPont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917), trade secret laws are not those of property, but of the equitable principles of good faith applicable to

confidential relationships. The employer who has discovered or developed trade secrets is protected against unauthorized disclosure or use, not because he has a property interest in the trade secrets, but because the trade secrets were made known to the employee in a confidential relationship. Again in *Dr. Miles Medical Co. v. John D. Park & Sons*, 220 U.S. 373, 402 (1911), this Court recognized that a trade secret complainant "is entitled to be protected against invasion of its rights in the [secret] process by fraud or by breach of trust or contract."

Because trade secret misappropriation is always the product of wrongful conduct akin to the piracy concern addressed in *Graver Tank*, the need for the doctrine of equivalents is generally stronger in the case of trade secrets than in the case of patents. Under the Restatement (First) of Torts and the numerous cases applying the doctrine of equivalents in the trade secrets context, a defendant enjoined from trade secret misappropriation may be held in contempt even if he does not use a protected trade secret in exactly the form prohibited by the injunction. As stated in Section 757 of the Restatement (First) of Torts, comment c:

> *Modification or improvement of the secret by the actor.* To subject a person to liability, under the rule stated in this Section, for the use of another's trade secret, ***there is no requirement that he use it in exactly the form in which he received it.*** He may be liable even if he uses it with modifications or improvements upon it effected by his own efforts. ***Differences in detail do not preclude liability if, substantially, the process used by the actor is derived from the other's secret in the manner stated in this Section. The liability is***

> ***avoided only when the contribution by the other's secret is so slight that the actor's process can be said to be derived from other sources***; although even in such a case the actor is still subject to liability for harm caused by his disclosure or possession of the secret, under the rules stated in Secs. 757-759.

(Emphasis added.)

This Restatement doctrine of equivalents for trade secrets has been recognized and applied in numerous misappropriation cases in federal courts of appeals. For example, in *Vermont Microsystems, Inc., v. Autodesk, Inc.*, 88 F.3d 142, 147 (2nd Cir. 1996), where the plaintiff established that the defendant's display list driver was substantially derived from the architecture of the plaintiff's list driver, the court held that the plaintiff did not have to prove that the display list drivers were identical. Substantial derivation was all that was necessary to establish trade secret misappropriation. *See also Mangren Research & Devel. Corp. v. National Chem. Co.*, 87 F.3d 937, 943 (7th Cir. 1996) (where defendants' formula contained ingredients different from the plaintiff's formula, but the essential characteristics of both were identical, the court found misappropriation because defendants used the plaintiff's secret to develop their product); *Forest Laboratories, Inc. v. The Pillsbury Co.*, 452 F.2d 621, 624-25 (7th Cir. 1971) (court dismissed difference between plaintiff's and defendant's processes — one using open containers and the other using closed — stating, "the user of another's trade secret is liable even if he uses it with modifications or improvements upon it effected by his own efforts, as long as the substance of the process used by the actor is derived from

the other's secret"); *In re Innovative Construction Systems, Inc.*, 793 F.2d 875, 886 (7th Cir. 1986) ("Were the law of trade secrets not flexible enough to reach the modifications in the instant case, when it is evident that the formulas were substantially derived from Innovative's, [the law] would indeed be hollow.").

Thus, although a process or equipment is slightly modified or different from a trade secret process or equipment, a trade secret misappropriation occurs if the modified or different process or equipment is "substantially derived" from the trade secret. *See Thermodyne Food Service Products, Inc. v. McDonald's Corp.*, 940 F. Supp. 1300, 1307-08 (N.D. Ill. 1996) (applying doctrine of equivalents to find misappropriation, for slightly different or modified component parts were "connected" or "interrelated" in a manner derived improperly from the plaintiff's technology).

The same rule applies in the contempt context. Where (as here) an injunction has forbidden a defendant from using a trade secret, that defendant cannot escape contempt by arguing that he "modified" or changed the trade secret, where the modification is substantially equivalent to, and derived from, the original. *See Motorola, Inc. v. Computer Displays Int'l, Inc.*, 739 F.2d 1149, 1156-57 (7th Cir. 1984) (trade secret defendant held in contempt for utilizing the substantial equivalent of the plaintiff's trade secret). As stated by the Seventh Circuit:

> To say that the consent decree prohibited only the sale of a display monitor series identical to the [plaintiff's] in all respects or with only minimal changes would make the injunction meaningless. Even [the defendant] recognized that more than a

> trivial change would be required to comply with the [trade secret consent] decree [prohibiting the infringing competitor from performing certain acts]. . . . Moreover, this interpretation is in accord with trade secret law, which protects the holder of a trade secret from uses substantially derived from that secret.

Id. at 1156. *See* Restatement (First) of Torts § 757, comment c.[5]

The "substantially derived" element of the doctrine of equivalents in trade secrets cases is both fundamental and critical to the protection of trade secret rights, which depend upon the continued observance of ethical obligations by a person (such as an employee) toward those from whom he learned the secrets in trust (such as an employer who has developed the trade secrets for use in its business). Given the impossibility of wiping a misappropriator's mind clean of stolen trade secret information, it is all too easy for the misappropriator to devise a process only slightly different

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5. The Fourth Circuit's attempt to "distinguish" *Motorola* in the opinion below on the ground that *Motorola* "involved a consent decree and not an injunction," as in the instant case (App. 5a n.*), is erroneous:

> A consent decree, although founded on the agreement of the parties, is a judgment. *United States v. Kellum*, 523 F.2d 1284, 1287 (5th Cir. 1975). It has the force of res judicata, protecting the parties from future litigation. It thus has greater finality than a compact. *As a judgment, it may be enforced by judicial sanctions, including citation for contempt if it is violated.*

United States v. City of Miami, 664 F.2d 435, 439-40 (5th Cir. 1981) (emphasis added and footnotes citing supporting authorities omitted).

from, but having the same essential characteristics as, the protected trade secret process. Without the information which the misappropriator learned and received as a part of his trust relationship with the real trade secret owner (here Cook), it would be considerably more difficult, if not impossible, for the misappropriator (here Defendants) to start from scratch and truly "discover" the equivalent process.

It is for precisely this reason that a "compelling inference" of substantial derivation is applied where modifications and/or improvements are made by misappropriators or their privies. As explained by the court in *General Electric Co. v. Sung*, 843 F. Supp. 776 (D. Mass. 1994):

> [Defendant] himself was intimately familiar with the GE trade secret technology and supervised the development of the [accused] design. Under Massachusetts trade secret law, these facts give rise to a compelling inference that the [accused design] was substantially derived from GE trade secrets. "Where modifications in the process are made by persons cognizant of the trade secret . . . proof of the independent derivation of the differing process is more difficult than would be the case if an apparent 'modification' were made by a person untainted with knowledge of the trade secret."

Id. at 778 (quoting *USM Corp. v. Marson Fastener Corp.*, 392 Mass. 334, 352, 467 N.E.2d 1271, 1284 (1984)); *Hoeltke v. C.M. Kemp Mfg. Co.*, 80 F.2d 912, 923-24 (4th Cir. 1936) (similarity of a defendant's device, after he has received a confidential disclosure from an inventor, is strong evidence

of copying); *International Industries, Inc. v. Warren Petroleum Corp.*, 99 F. Supp. 907, 914 (D.C. Del. 1951) (injunctive relief granted where defendants had designed and built a cargo vessel after receiving confidential disclosure of plaintiff's tanker plans).

In fact, as is true of trademark infringers who attempt to alter their designs to avoid further infringement, it is, and should be, incumbent upon an adjudged trade secret misappropriator — particularly those like Defendants who are found liable for willful and malicious misappropriation — to "keep a safe distance away from the dividing line between violation of and compliance with the injunction. The infringer 'must do more than see how close [it] can come with safety to that which [it was] enjoined from doing.' " *Universal Motor Oils Co. v. Amoco Oil Co.*, 743 F. Supp. 1484, 1488 (D. Kan. 1990) (quoting *Eskay Drugs v. Smith, Kline & French Laboratories*, 188 F.2d 430, 432 (5th Cir. 1951)); *see also USM Corp.*, 392 Mass. at 351, 467 N.E.2d at 1284 ("Modifications in the process do not relieve a defendant of responsibility if the defendant's process is substantially derived from the trade secret.").

Petitioners respectfully submit that the Fourth Circuit's complete refusal to consider the doctrine of equivalents or, much less, to apply it to the particularly apt facts at bar should be reviewed by this Court to resolve the split between the Fourth Circuit on the one hand and the Third, Seventh, Tenth, Eleventh and Federal Circuits on the other. All of the latter circuits hold that the doctrine of equivalents must be considered to determine whether contempt of a federal court injunction exists on the part of a "copyist" whose modifications either: (a) are "substantially derived from" trade secret rights protected by an injunction, *Motorola Inc. v. Computer Displays Int'l, Inc.*,

supra; or (b) are not "colorably different from" patent rights protected under an injunction. *Interdynamics, Inc. v. Firma Wolf*, 698 F.2d 157 (3rd Cir. 1983) (rear window defroster held merely a colorable variation from earlier defroster found to infringe patent and its manufacture resulted in contempt under the doctrine of equivalents); *Sure Plus Manufacturing Co. v. Kobrin*, 719 F.2d 1114, 1118 (11th Cir. 1983) (under doctrine of equivalents if enjoined defendant's modifications of its mirror assembly were not more than colorably different from plaintiff's mirror assembly covered by patent infringement injunction, then defendant was in contempt); *McCullough Tool Co. v. Well Surveys, Inc.*, 395 F.2d 230, 234 (10th Cir. 1968) (infringer's modified device for making radioactivity measurements was properly found, under doctrine of equivalents, to be merely a colorable variation of the original enjoined structure, making it proper for trial court to proceed with contempt citation); *KSM Fastening Systems, Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1526 (Fed. Cir. 1985) (an enjoined party's attempt to design around the claims of a patent "bears the risk that the enjoining court may find changes too insubstantial to avoid contempt," noting applicability of the "universal rule" of doctrine of equivalents under *Graver Tank*).

From the early decision of this Court in *Fowle v. Park*, 131 U.S. 88, 97 (1889), recognizing that the policy of trade secret law "is to encourage useful discoveries by securing their fruits to those who make them"; through *Board of Trade of Chicago v. Christi Grain & Stock Co.*, 198 U.S. 236, 250 (1905), recognizing the trade secret owner's right to be safeguarded against theft of his work; through the admonitions in 1911 and 1917 in *Dr. Miles*, *supra*, and *Masland*, *supra*, protecting the trade secret owner against breach of trust and fraud; to the recognition in *Becher v. Contoure Laboratories, Inc.*, 279 U.S. 388, 391 (1929), of a cause of action against an employee for the "wrongful

disregard of confidential relations"; followed shortly by the teaching in *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 186 (1933), that an inventor "may keep his invention secret and reap its fruits indefinitely"; down to the more recent proclamation in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481-82 (1974), that

> the maintenance of standards of commercial ethics and encouragement of invention are the broadly stated policies behind trade secret law [necessitating] good faith and honest, fair dealing, [which] is the very life and spirit of the commercial world . . . [and] not[ing] the importance of trade secret protection to the subsidization of research and development . . . [and] increased economic efficiency within large companies through the dispersion of responsibilities for creative developments,

this Court has cast a broad protective net safeguarding owners and developers of trade secrets from those who would dishonestly usurp intellectual property which is not theirs for the taking.

This Court's historically high level of protection accorded to trade secret rights together with the federal courts' 150 years of adherence to the doctrine of equivalents (including the express recognition by nearly half of the federal Circuits, noted above, that the doctrine of equivalents *must* be considered in cases asserting contempt of federal court injunctions protecting intellectual property rights, be they trade secrets or patents), counsels heavily toward granting this Petition.

The Fourth Circuit's statement that "[n]othing in this circuit would suggest that the doctrine of equivalents is invariably applied in a trade secret contempt context" (App. 5a n.*) leaves the Fourth Circuit severely out of step with the rest of the courts in the federal system. Moreover, the Fourth Circuit's refusal to "invariably apply" the doctrine of equivalents in the trade secret contempt context unfairly and improperly leaves trade secrets far more exposed in the Fourth Circuit to the machinations of the unscrupulous copyist who (as in the case of the Defendants at bar) has *already* once been enjoined and who, to paraphrase Justice Jackson in *Graver Tank*, is very rarely a dull fellow but rather one who may always be expected to adopt clever variations in attempting to conceal and shelter his piracy. As the Videotape submitted to this Court graphically establishes, had the Fourth Circuit properly invoked the doctrine of equivalents it surely would have held that the Defendants' current processes to round off the end of wire and to form curves in polymer catheters were substantially derived from Cook's Trade Secrets 3 and 14 in violation of the Injunction.

In this technologically driven age, patents and trade secrets, and equitable decrees safeguarding them, are increasingly focused in the federal courts. Indeed, patent infringement is a realm exclusively policed by the federal judiciary. As the growing global economy steadily transcends state and national boundaries, such fundamental rights should not be rendered uncertain or illusory by being subject to the new form of *elective* doctrine of equivalents erroneously adopted by the Fourth Circuit. Such a change would unjustly transform trade secret injunctions entered in the Fourth Circuit into "hollow and useless" remedies, i.e., as here, courts erroneously could "elect" not to apply the time-tested and critical doctrine of equivalents to protect invaluable intellectual property interests.

CONCLUSION

For the foregoing reasons, this Petition for a Writ of Certiorari should be granted to review the decision of the Court of Appeals for the Fourth Circuit.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT DATED AND DECIDED OCTOBER 27, 1999

UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

No. 98-2831

In Re: JON S. WILSON,

Debtor.

COOK GROUP INCORPORATED; WILSON-COOK MEDICAL, INCORPORATED; COOK INCORPORATED; VANCE PRODUCTS INCORPORATED; SABIN CORPORATION,

Plaintiffs-Appellants,

v.

JON S. WILSON; WILTEK MEDICAL, INCORPORATED,

Defendants-Appellees.

Appeal from the United States District Court
for the Middle District of North Carolina, at Greensboro.
N. Carlton Tilley, Jr., Chief District Judge.
(CA-96-657-2, BK-93-50034C-11W, AP-94-6010W)

Argued: September 24, 1999

Decided: October 27, 1999

Appendix A

Before WILKINSON, Chief Judge, and HAMILTON and WILLIAMS, Circuit Judges.

* * *

OPINION

PER CURIAM:

Appellants Cook Companies argue that appellees Jon Wilson and Wiltek Medical should be held in contempt for violating an injunction that prohibited the continued use of Cook's Trade Secrets 3 and 14. The bankruptcy court denied the motion to hold appellees in contempt for violating these secrets and the district court affirmed. Because the bankruptcy court did not abuse its discretion in declining to hold Wilson and Wiltek in contempt, we now affirm the judgment.

I.

This case arises from a longstanding dispute concerning the alleged misappropriation of various trade secrets developed by appellant Cook for the manufacture of medical devices. Jon Wilson is a former president of Wilson-Cook, one of the Cook Companies. Upon resigning from Wilson-Cook, Wilson founded Wiltek Medical. In May 1995, the United States Bankruptcy Court for the Middle District of North Carolina found that appellees Wilson and Wiltek (collectively Wiltek) wilfully and maliciously appropriated trade secrets of Cook. The bankruptcy court entered a permanent injunction prohibiting Wiltek from using,

licensing, marketing, or otherwise displaying or disclosing the Cook trade secrets. Several months later, the bankruptcy court granted Cook the right to conduct one surprise inspection of Wiltek's plant.

The surprise inspection occurred on October 1, 1997. As a result of information uncovered during the inspection, Cook claimed that Wiltek was continuing to use five Cook trade secrets, including Trade Secrets 3 and 14. Cook filed a contempt motion with the bankruptcy court asserting that Wiltek was violating the injunction. Cook alleged that Wiltek either violated the trade secrets directly or used processes and techniques that were substantially derived from the trade secrets. In December 1997, the bankruptcy court denied Cook's contempt motion as to Trade Secrets 3 and 14. The district court summarily affirmed. Cook appeals.

II.

A.

The district court sits as an appellate court in bankruptcy. *See First Nat'l Bank of Md. v. Stanley (In re Stanley)*, 66 F.3d 664, 667 (4th Cir. 1995). Therefore, we apply the same standard of review as the district court in reviewing the bankruptcy court's judgment. The denial of a contempt motion can be overturned only for an abuse of discretion. *See, e.g., Langton v. Johnston*, 928 F.2d 1206, 1220 (1st Cir. 1991); *Davis v. Bowen*, 894 F.2d 271, 272 (8th Cir. 1989). To obtain a contempt citation, the complaining party must prove a violation of a court order by clear and convincing evidence. *See In re General Motors Corp.*,

61 F.3d 256, 258 (4th Cir. 1995). The bankruptcy judge denied the contempt motion because he found that Cook did not meet this high burden with regard to Trade Secrets 3 and 14. The bankruptcy court's denial of the contempt motion likewise turned on findings of fact. We apply a clearly erroneous standard to these findings. *See In re Stanley*, 66 F.3d at 667. Here, the same bankruptcy judge defined the scope of the trade secrets and denied Cook's subsequent contempt motion. His interpretation of his own order and injunction must thus be given substantial deference. *See Colonial Auto Center v. Tomlin (In re Tomlin)*, 105 F.3d 933, 941 (4th Cir. 1997) (bankruptcy court involved with earlier proceeding has a "better vantage point" from which to assess the order's meaning (internal quotation marks omitted)). These standards of review coupled with Cook's burden of proof underscore the daunting nature of Cook's appeal.*

---

* Cook concedes that the deferential standard of review applies to findings of fact, but argues that it does not apply to a lower court's failure to apply the doctrine of equivalents, which should be reviewed *de novo*. *See In re Stanley*, 66 F.3d at 667 (application of law is reviewed *de novo*). Cook contends that application of the doctrine of equivalents might have led to the conclusion that Wiltek's procedures and equipment were substantially derived from or were substantially equivalent to those protected by Cook's trade secrets. Such a finding would prove a violation of the injunction and provide a basis for the contempt motion.

We are unpersuaded. The doctrine of equivalents is primarily a patent law doctrine and its application in the trade secret context has been quite limited. Almost all of the cases that Cook relies on are appeals to determine whether or not something was a trade secret.

(Cont'd)

Appendix A

B.

We thus proceed to review the rulings of the bankruptcy court. Trade Secret 3 involves a process for making a traumatic wire guides used for a variety of medical purposes. Cook argues that in its 1997 ruling the bankruptcy court mistakenly found that Trade Secret 3 was limited to forming balls on the tips of wires and did not include rounding-off wires. Cook maintains that identical equipment, processes, and techniques are used either to form a ball on the end of wire or to round-off the end of a wire. Yet it was Cook who emphasized in its 1994 proposed findings of fact that Trade Secret 3 involves forming a jointless ball on the end of wire. Wiltek stopped this process after the injunction, but it continued the rounding-off process. Despite Cook's arguments to the contrary, we hold that the bankruptcy court did not err in finding that Trade Secret 3 was limited to forming balls on the tips of wires.

(Cont'd)

See, e.g., Vermont Microsystems, Inc. v. Autodesk, Inc., 88 F.3d 142 (2d Cir. 1996); *Mangren Research and Dev. Corp. v. National Chem. Co.*, 87 F.3d 937 (7th Cir. 1996). In this case, however, the bankruptcy court had already determined the scope of the trade secrets. We must decide only whether it abused its discretion in denying Cook's contempt motion. Cook cites to only one circuit court case where the doctrine of equivalents was applied in a trade secret contempt context. *See Motorola, Inc. v. Computer Displays Int'l, Inc.*, 739 F.2d 1149 (7th Cir. 1984). But even *Motorola* can be distinguished because it involved a consent decree and not an injunction. Nothing in this circuit would suggest that the doctrine of equivalents is invariably applied in a trade secret contempt context, much less that it would somehow trump the governing standards of review.

Cook also claims that Wiltek continued to violate Trade Secret 14 by using the same process to form catheters with only one minor modification — substituting the heating liquid Cook used with a similar substance. Again, it was Cook who in its proposed findings claimed that Trade Secret 14 depended on the particular qualities of a specific liquid. The heated liquid Wiltek uses has similar properties, but an entirely different chemical composition from Cook's liquid. The bankruptcy court found that Wiltek's process was independently developed and was not substantially derived from Trade Secret 14. The bankruptcy court's finding that Trade Secret 14 was limited to a particular type of heating liquid was not clearly erroneous. Under Cook's interpretation, Trade Secret 14 could prevent Wiltek from using any substance that is more effective than water for forming catheters. This position has no logical stopping point. The protection of trade secrets serves important goals, but the extension of a trade secret to cover any conceivable modification would stifle innovation and competition.

Contempt is a weighty penalty and should not be casually imposed. In this case, Wiltek officers testified that they did not think rounding-off was a violation of Trade Secret 3 because of the injunction's emphasis on forming balls on the ends of wires. Fairness dictates giving a party clear notice of what it is violating before holding that party in contempt. *See In re General Motors*, 61 F.3d at 258 (civil contempt is an appropriate sanction only where a party has violated an order that sets forth "in specific detail an unequivocal command" (internal quotation marks omitted)); *Project B.A.S.I.C. v. Kemp*, 947 F.2d 11, 16 (1st Cir. 1991) ("[C]ivil

contempt will lie only if the putative contemnor has violated an order that is clear and unambiguous.").

III.

In this case the trade secrets at issue were defined and later interpreted by the same bankruptcy judge. Because his interpretation of the scope of his earlier injunction warrants deference and because his findings reveal no clear error, there was no abuse of discretion in denying Cook's contempt motion. For the foregoing reasons, the judgment of the district court is

AFFIRMED.

APPENDIX B — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF NORTH CAROLINA DATED AND FILED DECEMBER 2, 1998

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
No. 1:98CV01019

No. B-93-50034 C-11W

In re:

JON S. WILSON,

Debtor.

No. A-94-6010W

COOK GROUP INCORPORATED, WILSON-COOK MEDICAL INC., COOK INCORPORATED, VANCE PRODUCTS INCORPORATED, and SABIN CORPORATION,

Plaintiffs,

vs.

JON S. WILSON,

Defendant.

Appendix B

No. 6:90CV00206

WILSON-COOK MEDICAL INC.,

Plaintiff,

vs.

WILTEK MEDICAL INC.,

Defendant.

ORDER

TILLEY, District Judge

It is hereby ORDERED that the Bankruptcy Court's Second Memorandum Opinion of December 8, 1997 be AFFIRMED, to the extent that it finds Defendants Jon S. Wilson and his company, Wiltek Medical, Inc. (collectively, "Wiltek" (not in contempt for alleged misappropriations of trade secrets 3 and 14. The holding of the Bankruptcy Court in its Second Memorandum Opinion regarding trade secrets 5, 6, and 8, and the Bankruptcy Court's Reconsideration of those holdings in its May 7, 1998 Order and Amendment to the Second Memorandum Opinion, are not affected by this Order. The Plaintiffs' appeal of the Bankruptcy Court's decisions regarding trade secrets 5, 6, and 8 should continue as scheduled by the Court.

Because of Wiltek's Motion to Dissolve Partial Stay in Case No. 2:96CV00657, the Court requested expedited

briefing and oral argument regarding trade secrets 3 and 14. After hearing oral argument and examining the record and the parties' briefs, it is clear upon a *de novo* review that the Bankruptcy Court correctly interpreted the scope of trade secrets 3 and 14, and that it was not clearly erroneous in its factual findings regarding the processes that Wiltek was using at the time of the inspection. The Bankruptcy Court was correct in concluding that the processes Wiltek was using at the time of the inspection were not the same as — or substantially similar to — trade secrets 3 and 14. Therefore, for the reasons stated in the Bankruptcy Court's December 8, 1997 Second Memorandum Opinion, the Bankruptcy Court's holding that Wiltek was not in contempt for allegedly misappropriating trade secrets 3 and 14 is AFFIRMED.

This the 2nd day of December, 1998.

s/ [illegible]
United States District Judge